CHAPTER 3

ARIZONA LONG TERM CARE SYSTEM

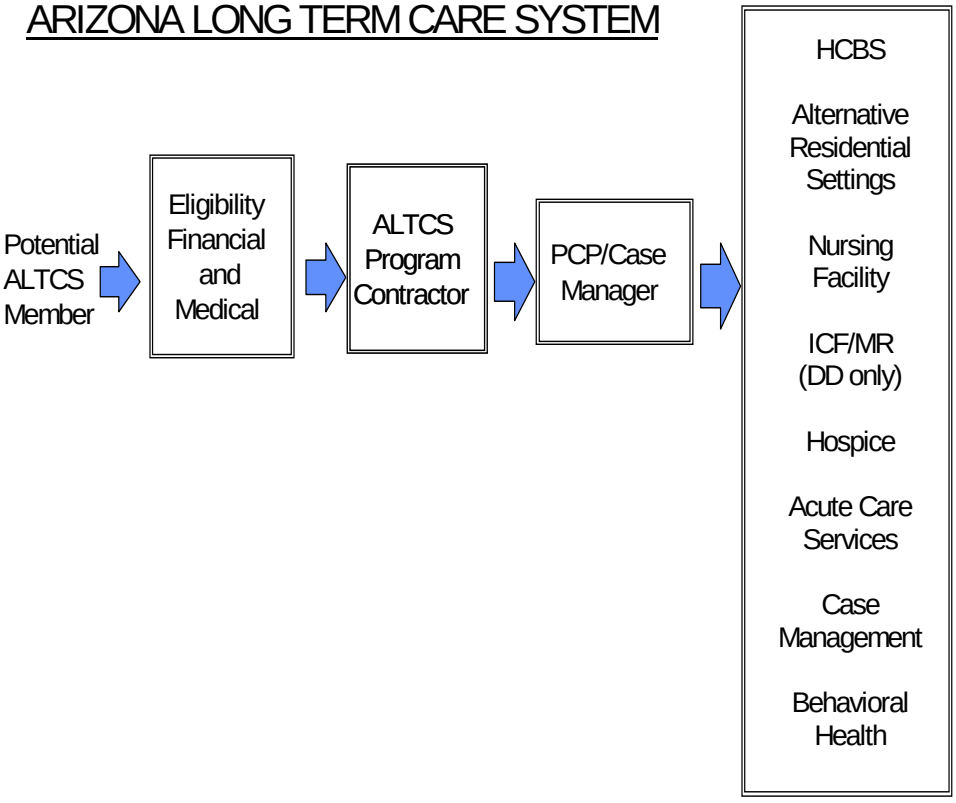
In 1987, Arizona passed legislation to establish the Arizona Long Term Care System (ALTCS) for the delivery of long term care services. ALTCS was implemented on December 19, 1988, for the developmentally disabled (DD) population. The long term care program for the elderly or physically disabled (EPD) population was implemented on January 1, 1989. As of October 1, 2005, the ALTCS program served 41,634 members; 17,092 were persons who are DD and 24,542 were persons who are EPD.

ALTCS offers a complete array of acute medical care services, institutional services, behavioral health services, home-and-community-based services (HCBS) and case management services for all eligible persons. A listing of the services and the approved settings is provided in Appendix III.

ALTCS is unique in that all covered services are integrated into a single delivery package, coordinated and managed by the Program Contractors listed in Exhibit 3.1. Program Contractors provide services for ALTCS members in the same way that Health Plans provide acute care services to AHCCCS enrolled members. Until October 1, 2000, only one Program Contractor operated in each county, and members were enrolled with the Program Contractor in their county of residence. On June 1, 2000, AHCCCS awarded contracts to three Contractors to in order to offer choice to elderly and physically disabled ALTCS members residing in Maricopa County. This allowed a choice of ALTCS Program Contractors beginning October 1, 2000. This measure was initiated in 1997 by lawmakers who sought a wider choice of providers for Medicaid members.

Once enrolled, the member has a choice of available primary care providers who coordinate care and act as gatekeepers. Chart 3A displays the main components of the ALTCS program. Exhibit 3.2 shows the Program Contractor for each county and the ALTCS member enrollment for each contractor as of September 30, 2005.

Chart 3A

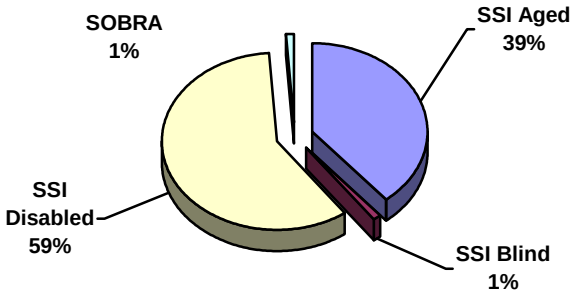


ELIGIBILITY

Financial Eligibility

Individuals must be financially eligible for ALTCS. The Legislature established ALTCS financial eligibility at 300 percent of the Federal Benefit Rate (FBR), which is used by the Social Security Administration to determine eligibility for Supplemental Security Income (SSI). Effective January 1, 2005, an individual may have up to $1,737. An eligible individual may have no more than $2,000 in resources.

Chart 3B
ALTCS Enrollment by Type
(as of October 1, 2005)



Nearly all ALTCS members meet financial eligibility requirements based on the established SSI methodology. A small number of individuals are determined eligible based on SOBRA criteria (see Chart 3B). ALTCS members are required to contribute a share of the cost for their institutional care, which is calculated by taking an individual's income and subtracting certain allowable deductions. Appendix I contains specific ALTCS eligibility criteria.

Medical Eligibility

Once financial eligibility has been established, a Pre-Admission Screening (PAS) is conducted by a registered nurse or social worker to determine if the individual is at immediate risk of institutionalization in either a nursing facility or an ICF/MR. If deemed necessary, the registered nurse or social worker may refer the case to a physician for a final determination. AHCCCS has developed five standardized PAS instruments: one is used to screen persons who are elderly and/or physically disabled and the others are age-specific for DD.

The PAS instruments use weighted scores to provide information on the functional, medical, nursing, and social needs of an individual, which are the basis for determining medical eligibility for ALTCS services. Targeted groups are reassessed on an annual basis and others are reassessed when a change occurs.

On September 1, 1995, AHCCCS implemented a new ALTCS Transitional Program, which allows AHCCCS to complete a second scoring of the PAS for members who are enrolled in ALTCS, but fail to be at "immediate risk of institutionalization" based on the PAS conducted at the time of the redetermination. If determined eligible, AHCCCS transfers the member to the ALTCS Transitional Program which limits institutional services to 90 days per admission and provides the member with medically necessary acute care services, HCBS, behavioral health services and case management services. On October 1, 2005, there were 3,733 eligible members in the ALTCS Transitional Program; 1,996 members who are DD and 1,737 members who are EPD.

SERVICES

Acute Medical Care

ALTCS members receive the same acute services listed in Appendix III. The Program Contractor assigns a case manager to each ALTCS member. The case manager coordinates care with the primary care provider and is responsible for identifying, planning, obtaining and monitoring appropriate services that meet the member's needs.

Home and Community-Based Services (HCBS)

ALTCS provides a comprehensive HCBS package in settings that may include a member's home, as identified in Appendix III.

Prior to October 1, 1999, there was a federal restriction on the number of HCBS slots available to the EPD population enrolled in ALTCS. AHCCCS believed that there should be no limit on the number of members receiving HCBS and each year negotiated with CMS to increase the limit from an initial five percent, which was based on the total ALTCS budget in 1989, to 50 percent, which is based on the total elderly and physically disabled population in 1998. CMS notified AHCCCS of the elimination of the HCBS cap effective October 1, 1999. As of September 30, 2005, approximately 63 percent of the EPD population was served within the community. CMS never imposed a similar cap for the DD population and almost all of this population is served within the community rather than through more restrictive and costly institutional settings.

Alternative Residential Settings under HCBS

ALTCS approved HCBS settings for EPD members include the member's home, adult foster care, assisted living homes, assisted living centers, level II and level III behavioral health facilities, hospices, group homes for traumatic brain injured members, and rural substance abuse transitional agencies. Since August 2001, members who are elderly and/or physically disabled (EPD) may also use DD alternative residential settings as appropriate.

The ALTCS program has expanded alternative residential settings to meet the needs of the members. Initially, an ALTCS member could only receive HCBS in their own home or an adult foster care home. In 1993, the Arizona Legislature established a Supportive Residential Living (SRL) three-year pilot program in Maricopa County to expand the ALTCS members' options for community based services. In 1996, alternative residential settings were expanded to adult care homes, also as a pilot program. In 1996, the Arizona Legislature established SRLs as permanent, statewide settings available to ALTCS members. In 1998, the Arizona Legislature consolidated the licensure of adult care homes (ACH), adult foster care homes, SRLs, supervisory care homes and unclassified residential care institutions under the single licensure classification of assisted living facilities. On October 31, 1998, when the new assisted living facility license was implemented, ACHs ceased being a pilot program and became a permanent alternative setting available to ALTCS members.

The ALTCS program has expanded alternative residential settings…

Effective October 1, 1999, AHCCCS implemented a three-year Alzheimer's Treatment Assisted Living Facility pilot project in a limited number of facilities. The purpose of the pilot was to determine if a new type of Alzheimer's housing facility that was less restrictive than a nursing facility, could provide cost effective quality care.

By providing a variety of alternative settings with differing levels of care, ALTCS members are able to delay institutionalization or, in some cases, transfer from nursing home care into an HCBS setting. More important than the savings experienced by using HCBS, this alternative to institutionalization provides members with a degree of independence and control not available in an institutional setting.

Institutional Care

ALTCS provides institutional care in either a Medicare/Medicaid approved nursing facility, hospice, ICF/MR, inpatient psychiatric hospital, Level I behavioral health residential treatment center, or a Level I behavioral health sub-acute facility if the member requires the level of care in these facilities.

Chart 3C: Program Contractor Placement Comparison to Statewide Percentages as of September 30, 2005

Setting	Statewide %	CHS	ES	MLTC	MC LTC	PHS	P/G LTC	YLTC
Nursing Facility	36.61%	40.38%	39.33%	40.02%	27.73%	38.79%	35.37%	43.01%
HCBS Community	16.53%	7.15%	22.68%	18.91%	13.11%	16.78%	9.41%	11.36%
HCBS Home	44.47%	51.21%	35.95%	38.86%	55.46%	42.40%	53.86%	43.98%
Acute Services Only	1.26%	.74%	.93%	1.45%	1.67%	1.15%	.80%	.87%
Not placed	1.13%	.53%	1.11%	.75%	2.03%	.88%	.56%	.78%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

NOTE: Report is based on the number of members enrolled with a Program Contractor on the last day of the reporting period. Enrollment does not include members who are ventilator dependent.

SERVICE DELIVERY

Elderly and Physically Disabled

Currently, there are six Program Contractors that serve elderly and physically disabled members. In 2006, AHCCCS will be issuing a Request for Proposals (RFP) for the ALTCS Program. New contracts will be effective in the contract year beginning on October 1, 2006. These ALTCS contracts are awarded using the same GSA system as the acute care program.

Developmentally Disabled (DD)

ALTCS services for persons with developmental disabilities are managed by the Arizona Department of Economic Security/Division of Developmental Disabilities (ADES/DDD) under a capitation arrangement with AHCCCS. Through a non-competitive contract, ADES/DDD, a Managed Care Organization, is required to comply with the same requirements as other Program Contractors. Once enrolled, a DDD member chooses a primary care provider who coordinates the member's care in coordination with the member's case manager. ADES/DDD provides or contracts with individuals and agencies for services and support for members with developmental disabilities. Services are provided to members based on the person's identified needs. ADES/DDD also administers a one hundred percent state-funded program for persons with developmental disabilities who are not eligible for ALTCS.

Tribal Elderly and Physically Disabled

Seven tribal governments have signed intergovernmental agreements for the delivery of long term care case management services under the ALTCS program. The seven tribes are Gila River Indian Community, Hopi Tribe, Navajo Nation, Pascua Yaqui Tribe, San Carlos Apache Tribe, White Mountain Apache Tribe, and Tohono O'Odham Nation. In addition, AHCCCS has a contract with the Native American Community Health Center (NACHC), first signed in April of 1997, to provide case management services to on-reservation tribal ALTCS members whose tribes do not have an agreement with AHCCCS. As of October 1, 2005, there were 1,778 Native Americans receiving case management through a tribal agreement or through NACHC.

Native Americans also have a choice as to how they access their long term care services. Native Americans living on reservations are enrolled with a Tribal Program Contractor or with the Native American Community Health Center (NACHC), a Phoenix-based urban Indian health provider for case management services. Tribal ALTCS programs are paid a monthly case-management capitation rate for each ALTCS member enrolled in their respective programs. These members receive all of their services on a FFS basis.

ALTCS Native American members who live off reservation are managed by an ALTCS Program Contractor that serves the geographic service area where the member resides. IHS and tribal facilities function as the acute care providers for tribal ALTCS members. These members may also receive acute care services from private sector providers on a FFS basis. The ALTCS administration at AHCCCS provides administrative oversight, technical assistance and training for tribal case managers.

CAPITATION

Similar to the acute care program, AHCCCS pays Program Contractors prospectively on a capitated, per member, per month basis. ALTCS capitation rates are blended rates, which include nursing facility costs, HCBS, acute medical care services, behavioral health services, case management services and administrative costs. Beginning October 1, 2005, the weighted average statewide capitation rate paid to Program Contractors for covered services provided to the elderly or physically disabled population is $3,171 per member per month. The weighted average for the DD population beginning July 1, 2005, is $3,004 per member per month. The rates are based on AHCCCS FFS rates, Program Contractor financial statements, service utilization data and historical trends. In a contract year, this information is used to determine the capitation rate ranges; in renewal years, this information is used to adjust rates.

PROGRAM FUNDING

ALTCS is funded by federal, state and county monies as reflected in Appendix IV. Historically, the county contribution was established by the Legislature and the counties paid most of the State share for the ALTCS program. In November 1997, the State Legislature froze the county contributions at SFY 1997/1998 levels and required the State and counties to each pay 50 percent of any increase effective through SFY 2000/2001. In December 2001, the State Legislature created a revised funding model effective with SFY 2001/2002 and forward where increases are funded at a percent determined the Legislature. The State match for the DD population is provided to AHCCCS by ADES/DDD and then deposited into an intergovernmental fund with AHCCCS having sole disbursement authority.

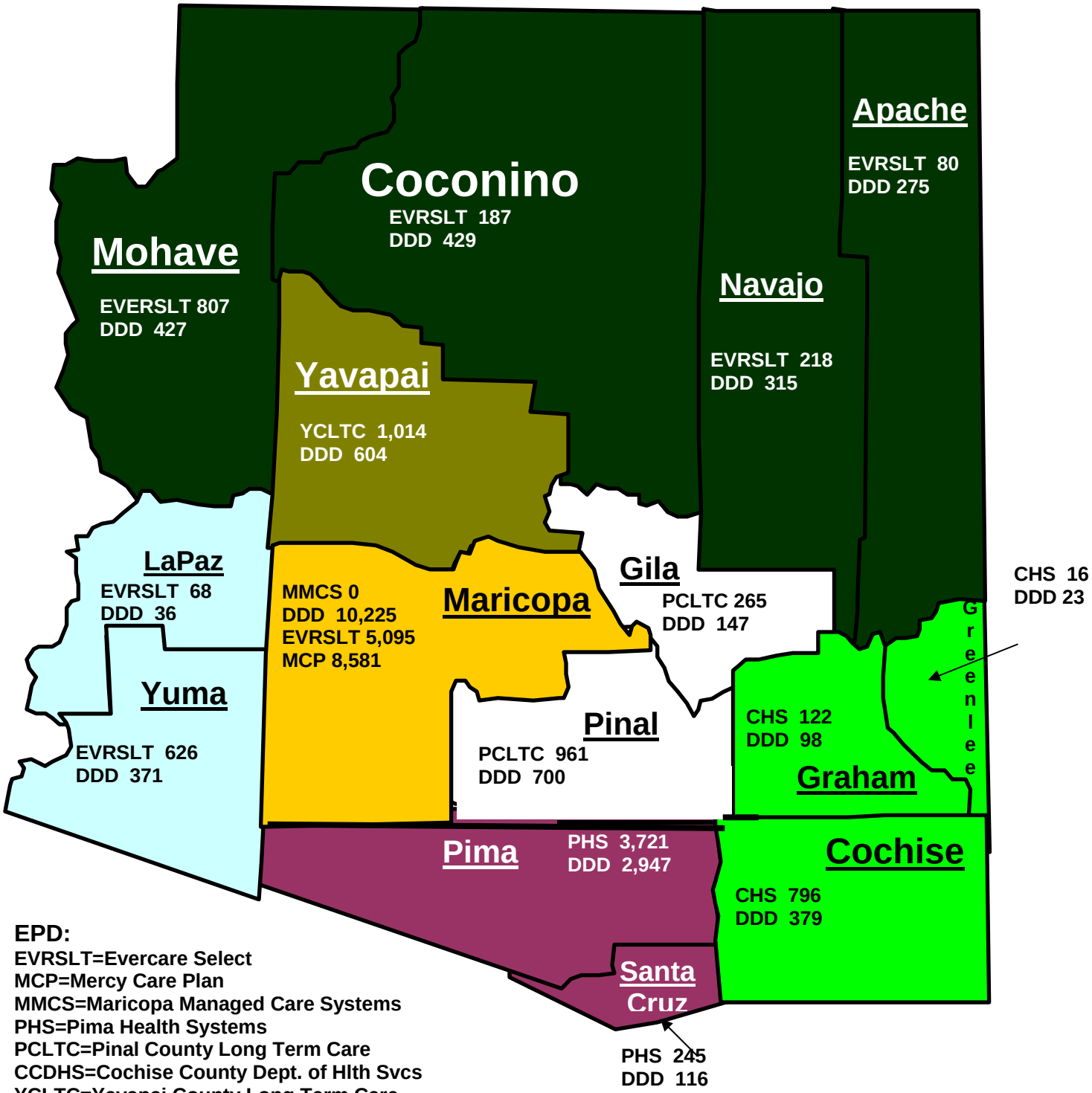
Exhibit 3.1
ALTCS PROGRAM CONTRACTORS
(As of October 1, 2005)

NAME	OWNER/OPERATOR	CORPORATE STRUCTURE	DATE OPERATIONS COMMENCED	COUNTIES OF OPERATION	ENROLL-MENT	SERVICE MODEL
Cochise Health Systems	Cochise County Government	Government Not for profit	11/1/93	Cochise, Graham, Greenlee	934	IPA
Department of Economic Security/Division of Developmental Disabilities	State of Arizona	Government Not for profit	12/19/88	All Counties	17,092	Contracts with AHCCCS Health Plans for acute care services
Evercare Select	Managed Care Solutions, Inc.	Corporation For profit	1/1/89	Apache, Coconino, Maricopa, Mohave, Navajo, Yavapai,Yuma	7,081	IPA
Maricopa Long Term Care Plan	Maricopa County Government	Government Not for profit	1/1/89 Ended Contract 9/30/05	Maricopa	0	Mixed
Mercy Care Plan	Mercy Healthcare Arizona	Corporation Not for profit	10/1/00	Maricopa	8,581	IPA
Pima Long Term Care	Pima County Government	Government Not for profit	1/1/89	Pima, Santa Cruz	3,966	Mixed
Pinal/Gila County Long Term Care	Pinal County Government	Government Not for profit	10/1/90	Pinal, Gila	1,226	IPA
Yavapai County Long Term Care	Yavapai County Government	Government Not for profit	10/1/93	Yavapai	1,014	IPA

Note:

This exhibit shows the program contractor for each county and the ALTCS member enrollment for each contractor as of October 1, 2005.

Exhibit 3.2
ALTCS ENROLLMENT BY COUNTY
As of October 1, 2005



EPD:
EVRSLT=Evercare Select
MCP=Mercy Care Plan
MMCS=Maricopa Managed Care Systems
PHS=Pima Health Systems
PCLTC=Pinal County Long Term Care
CCDHS=Cochise County Dept. of Hlth Svcs
YCLTC=Yavapai County Long Term Care
DDD: Division of Developmental Disabilities/DES
FFS=0
*American Indian Contractors=1,682 (included in total)
DDD-17, 092 EPD=22,805 & **NACH=76
**Native American Community Health Care

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Source: ALTCS Enrollment Summary Report TOTAL 41,655**